AN INNOVATIVE APPROACH TO RURAL LENDING FINANCIERA CALPIA IN EL SALVADOR

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The Innovative Approach To Rural Lending of Financiera Calpia In El Salvador

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1 Introduction

Rural lending is difficult The obstacles range from physical hurdles (lack of bridges, roads) and a mismatch between the flows of household revenues and expenses to a greater vulnerability to exogenous shocks (*e g* , *El Niño*, a sudden drop in commodity prices) Information and incentive problems seem to be more acute in the rural areas Thus, in Latin America, it is unusual to find formal organizations that offer financial services in the rural areas (Gonzalez-Vega, 1999) It is common, though, to find urban dwellers with a growing number of options to save, deposit, borrow, and invest Many of these options have emerged with the development of microfinance The rural areas still remain, however, as the last frontier to be conquered by microfinance

For this reason, it is important to understand the performance of the few microfinance organizations (MFOs) that have successfully reached the rural areas One would like to know how they have accomplished this and if this outcome could be replicated elsewhere (*e g* , different regulatory environment, different crops or population density) In other words, it would be valuable to understand the lending technology used by these MFOs and the environment where it has been successful

A successful rural lender is Financiera Calpia in El Salvador This MFO is one of the Latin American leaders in the field Its accomplishments in terms of outreach and sustainability (the way MFOs are usually evaluated) are impressive A study of its *modus operandi* would thus be a valuable contribution to the field This paper describes Calpia's lending technology, emphasizing the ways how it has solved some of the typical problems of rural lending and the challenges and problems that it is still facing

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In addition to this introduction, this paper is organized in three parts The first part describes the methods used to collect the information The second part is an in-depth description ofthe lending technology of Calpia The description examines the actual procedures, as they are implemented, comparing, when possible, the procedures used in rural areas with those used in urban areas This part also discusses step-by-step the problems that each procedure solves during the lending process The third part summarizes lessons, presents conclusions, and explores future challenges

A description of the lending technology of any MFO requires a significant amount of information on procedures, attitudes and practices The relevant information is not embedded in the results (low arrears or growing number of borrowers), manuals or end-of-the-year reports The information is present in the day-to-day practice and behavior of loan officers, managers, and borrowers It is always difficult to go beyond manuals and enter into the world of actual behavior Manuals consider only a limited range of options and possibilities Lending is full of situations that cannot always be predicted in a manual Therefore, this paper not only uses information from manuals, but also from extensive interviews and observation of Calpia's lending practices

2 The Data

The information was gathered as part of the larger research agenda of the BASIS CRSP in El Salvador (Gonzalez-Vega, 1998) The project is being implemented by the Rural Finance Program at The Ohio State University and the Departamento de Estudios Economicos y Sociales at the Fundacion Salvadoreña para el Desarrollo Economico y Social (FUSADES)

The inputs used in this particular paper came from extensive interviews with loan officers and managers (what is being done?), information about the financial services offered (what is being produced?), and manuals (what are the rules and meta-rules?)

2 1 The Interviews with the Loan Officers

The most important input to uncover the black box of the lending technology were interviews with loan officers For consistency during the interviews, a guide was prepared The guide consisted of a series of questions and reminders for the interviewer (see Annex) Since the objective was to uncover unknown processes and attitudes, by design the questionnaire was open, rather than being a strict set of questions to be filled with short answers The interviewers were able, therefore, to ask in greater detail about whatever seemed more interesting, controversial or new However, the guide kept the conversation within common boundaries

2 1 1 Design

Next, the paper presents a brief summary of the type of information that was gathered during the interviews Given the extensive nature of the guide, the following description simply illustrates the main points considered in each section

•Characteristics of Loan Officers

The data to be collected included information such as age, sex, marital status, family background, education, and work history of the loan officer The objective was to be able to construct the profile of the loan officer of Calpia Also, we wanted to understand the process of selection, retention, and exit of loan officers from the organization We also wanted to understand if the profile is different for rural loan officers versus urban loan officers, if the profile has changed over time, and what kind of formal or informal training is needed

•Attitudes of Loan Officers

This part of the questionnaire was designed to explore the attitudes of loan officers towards their clients and the organization Is there a match between the mission of the MFO and the day-to-day work of the loan officer? How necessary is this for a successful rural MFO?

•Production and its Evolution

Outcomes in the sense of size, quality and evolution of each loan officer's portfolio and number of clients are important indicators of production Another important concern in this section was to discover the reasons for loan size growth perceived from the point of view of the loan officer

•Incentives to Work

The theme here was What are the incentives (monetary and non-monetary) for the loan officers to work for Calpia? The understanding of the structure of incentives is a key ingredient in understanding MFO success Emphasis was placed on the role of wages and bonuses and on the differences between old-new loan officers and rural-urban loan officers

•Lending Technology Part 1 Getting to Know the Clients This section explored at great length the screening process for new clients The process is described from the first contact until the actual disbursement of the funds The process includes a number of actions such as techniques to discover the repayment capacity and willingness to repay of the applicant These actions include visits to the household, references from neighbors and other financial organizations, and this like This stage of the process is, by far, the most important filter for new borrowers It is also the most important stage for the MFO to signal its strictness, seriousness, and vocation for permanency Both lender and potential borrowers set up the floor for a quality and lasting relationship Borrowers try to signal their creditworthiness through guarantees, proofs of income, and references The loan officers evaluate these signals and prepare a loan recommendation These set of questions explored the ways in which loan officers determine the terms and conditions of the loans, the role of credit committees, the role of branch managers and all the duties of loan officers up to disbursement The beauty of this part is that it moves forward from the understanding of a general process (known to any economist) to the world of actual practice (known only to lenders)

•Lending Technology Part 2 Repeat Clients but New Concerns

A repeat borrower requires a different approach than a new borrower The lender already has additional information vis-a-vis the first time the borrower walks into the office This section explored how this additional information contributes to improvements in screening, what mechanisms Calpia has created to efficiently use the stock of accumulated information, and how the terms and conditions of subsequent loans improve with the age and quality of the relationship

•Lending Technology Part 3 Cost Structure

The purpose of the inquiry was to determine the costs of lending The approach pursued here is expected to enrich the traditional cost analysis from financial statements Cost effectiveness results from the loan officers being willing to spend a lot of time out of the office This caveat is important because it may not be possible to replicate Calpia's practices in other environments (*i e* , where a low unemployment rate prevails) The inclusion of all actual working hours (in and out of the office) offers a more realistic picture of how many man-hours are needed to implement this lending technology The non-inclusion of out-of-the office working hours can easily mislead replicators The distribution of tasks also sheds light about the type of skills that are used by Calpia

2 1 2 Implementation and Accomplishments

As of August 1998, Financiera Calpia had a network of ten branches and one administrative office dispersed in the rural and urban areas of El Salvador, with 68 loan officers to do the work From this grand total, 15 loan officers were considered rural loan officers

With a population of $n=15$, interviews with the whole population of rural loan officers made more sense than taking a sample Therefore, when reporting values, we will be talking about the actual values of the variables and parameters, not about estimates of the parameters The analysis, however, is mostly qualitative rather than a precise account of times and numbers

To be able to draw comparative conclusions about rural loan officers and their urban peers, a sample of eight urban loan officers (out of 53) was drawn The idea was to interview at least one urban loan officer in each branch Table 1 summarizes the number of loan officers interviewed from each Calpia branch [1]

Table 1 Branches and Loan Officers

Branches	Number of Loan Officers	Number of Rural Loan Officers	Loan Officers Interviewed		Total Number of Loan Officers Interviewed
			Rural	Urban	
Soyapango	4	0	0	1	1
Nueva San Salvador	11	5	5	1	6
San Miguel	5	0	0	0	0
Centro	11	0	0	1	1
Sonsonate	13	5	5	0	5
Apopa	5	2	2	1	3
Santa Ana	8	1	1	1	2
Usulutan	6	2	2	1	3
Mejicanos	3	0	0	1	1
Cojutepeque	2	0	0	1	1
TOTAL	68	15	15	8	23

3 The Lending Technology of Calpia

A lending technology "covers the entire range of activities carried out by a loan -granting institution which have to do with selecting borrowers, determining the type of loan to be granted, the loan amount and maturity, and the way in which it is to be secured, as well as the monitoring and recovery of loans" (Schmidt and Zeitinger, 1996) The lending technology is used to solve all the information, incentive and contract enforcement problems that may appear when a loan transaction takes place A successful lender is able to avoid or at least minimize the costs associated with solving such problems (Navajas, 1999)

A complete description of a lending technology should also take into account the behavior of the borrowers (Schreiner *et al* , 1998) The reactions of the borrowers to procedures, policies and requirements of the MFO will, ultimately, determine a successful lending transaction This happens because some costs are internalized only by the borrowers (*e g* , transportation costs) and can greatly impact their decision

[1] Four interviewers participated in this effort Sergio Navajas and Claudio Gonzalez Vega from The Ohio State University Anabella de Palomo from FUSADES and Rafael Pleitez from Universidad Centroamericana Jose Simeon Cañas

Next, the paper describes a number of elements that together embody the lending technology of Calpia No element is independent of the others and they should all be seen as small parts of a big puzzle

3 1 Loan Officers The Human Cornerstone of Lendi ng

3 1 1 The Entry Process

Calpia is conscious of the importance of loan officers in the day-to-day activities of the organization Its loan officers, who average 30 years old, have passed a rigorous and lengthy selection process The process, from the moment Calpia puts an ad in the newspaper, up to the moment of actually having a portfolio, can easily take up to four months

The selection process starts with an add in the local newspaper looking for recent graduates or soon-to-be graduates from the university The accepted degrees vary from Economics to Business Administration to Agriculture training Other important requirements include residence close to the proposed branch location, driver's license, and availability to work in the field (out of the desk) Calpia also stresses that banking or lending experience is **not** required It is interesting to notice that, from the beginning, Calpia is looking for people with established ties to the communities where the branch will be located Lack of lending experience is preferred because then the training can start to build-up from zero (no biases)

The response to these ads is usually massive For example, in the last round (early 1998), about 700 applications were received From this total, around 30 people were offered a position in the organization The organization uses several filters to get the creme-of-the top

A typical entrance walk for a new loan officer is like this The applicant sends his resume to Calpia After a month or so, a selected number of applicants are called for an interview and a written exam Given the different kinds of educational background, the written exam is designed to test for creativity rather than being a university kind of a test In the next month, the exams are evaluated and the applicants who pass (50 percent passed in the last round) are scheduled for a field exam

The field exam has two main objectives to test for the abilities of the prospective loan officer when facing the borrowers (out-of-the office) and the abilities in front of managers and peers (in-the-office) First, the applicant is given an address of a prospective borrower The initial challenge is to locate the address It can be in any place in the country where Calpia is operating Then, the applicant has to gather the information he thinks is necessary to evaluate a loan application Calpia is testing here for creativity and communication skills The loan application is, next presented to a loan committee formed by fellow applicants and managers of Calpia This stage also involves role playing A not so uncommon exercise is to have a manager play the role of a stubborn and unwilling-to-pay borrower Again, communication skills are tested when the applicant has to present the loan application and defend it

Depending on the availability and quality of the applicants, positions are offered in the next month or so When the offer is accepted, the new loan officer will spend the next two months in training The training is a two-fold process The first part is a two-week course, where the loan officers are taught financial analysis, Calpia's policies, and complementary ways to evaluate repayment and willingness to repay of new and repeat borrowers At the same time, new loan officers are matched with experienced loan officers to learn in the field For rural loan officers there is an additional day of instruction compared to urban loan officers

The selected loan officers are also required to sign a legally binding contract that states that they will pay to the organization if they leave it before two years, to compensate for the training expenses After signing, new loan officers are also asked to carry market studies in the new Calpia's expansion areas In addition to the information gathered for Calpia, the new loan officers also get a first taste of how this new market will look like

3 1 2 Profile of a Loan Officer

The loan officers of Calpia are formed by two distinguishable groups the rural and the urban loan officers The information we have about the rural loan officers is rather complete, since all of them were interviewed The information about the urban officers has all the particularities of a sample

3 1 2 1 Rural Loan Officers

The typical rural loan officer of Calpia lives in the vicinity of the branch where he belongs He usually holds or is about to get an undergraduate degree in agricultural sciences from the National School of Agriculture (ENA, *Escuela Nacional de Agricultura*) This strong academic background allows loan officers to have an understanding of what to expect in rural-related activities In a few cases, they have studied abroad As university graduates, they also have some exposure to accounting, computer sciences, and financial analysis However, the type of education received in the university do not allow the loan officers to rapidly recognize an inefficient farm or know the probable yield in a given region Therefore, the most important part of the Calpia's training is the "hands-on" learning that occurs when an old loan officer is matched with a new one At this stage, the new loan officer does not have a portfolio of its own but just follows and learns from the fellow co-worker This can take from two to three months and it has ben regarded as the most important part of the training system

The organization is able to train new members rapidly because they have already acquired an extensive formal education (3-6 years) In other environments, where scarcity of highly-educated people may drive wages up, the MFO will have to spend more resources in training or, alternatively in wages, to attract educated candidates

Rural loan officers have a similar educational background, but a much more diverse working experience among them The first and largest group (about 30 percent of the rural loan officers) comes from the National Development Bank (BFA, *Banco de Fomento Agropecuario*) They also belong to the first generation of rural loan officers The rest of them have some experience in rural credit-granting NGOs (*Fecoagro*, Plan International) or have worked in agriculture (*beneficios de cafe*, independent farms) The current tendency is to try to hire people without lending experience

An important reason why Calpia was hiring former rural loan officers was, in part, to benefit from their knowledege of the region (clients) and credit practices After Calpia has adapted its techniques to the Salvadorean rural areas, this additional knowledge is not as crucial anymore Even more, once the new technology was conceived it has been proved that teaching new techniques and attitudes to newcomers is more effective to trying to change old habits

As described in Section 3 1 1, rural loan officers only spend one extra day of specific training from Calpia compared to the required training for urban loan officers Therefore, Calpia adheres to the same principles in the two environments This does not mean that rural lending is the same as urban lending It certainly requires different skills These skills cannot be taught in a few extra theoretical classes, this is why Calpia seems to be hiring more and more people with degrees in agriculture and with some experience in the countryside rather than hiring loan officers from the BFA

3 1 2 2 Urban Loan Officers

Loan officers working in the urban areas are also around 30-years old They have, however, a more diverse educational background than rural loan officers In their majority, they hold an undergraduate degree in business administration, economics or accounting (to name only a few), but it is also possible to find loan officers with high-school diplomas only For urban loan officers, educational background does not to be as crucial as in the rural areas Urban loan officers also present a wide variety of working experiences It is possible to find from former teachers in private institutes to administrative assistants and to microentrepreneurs Some of them have worked in credit-related activities in some NGOs

Thus, the background (work experience and education) of the urban loan officers is diverse This has various implications To begin with, it seems that the urban lending technology can be learned and used effectively by rather different people This has a strong cost implication If there is a boom in rural lending in El Salvador, at some point scarcity of agricultural engineers will drive costs up On the other hand, if the same happens in the urban areas, the MFOs have a larger pool of potential loan officers to choose from They can draw personnel from the business school, from the accounting school, or even from the agricultural school The cost advantages depend on the relative prices of the different university graduates

3 2 First Impression Matters The Process of Screening and Signaling

The first group of actions and procedures in a lending organization are related to screening and signaling In the process of screening, the organization evaluates the repayment capacity and willingness to repay of the potential borrowers The organization wants to be able to distinguish the riskiness of the borrowers and offer a contract according to this riskiness

This first contact is extremely important, since both parties (lender and borrowers) send signals to each other about their intentions How these signals are designed and interpreted will greatly influence the future performance of both lender and borrowers This section describes this process for Calpia

A common feature of some new borrowers of Calpia is that they have had some experience with a financial organization The rural loan officers reported that some of their clients have already had a loan from another formal organization (a bank, a cooperative or an NGO) in the past In the rural areas , the proportion of clients with former borrowing experience ranges from 10 to 60 percent of all borrowers The main lender has been, by far, the BFA, followed by the *Cajas de Credito* and NGOs In the urban areas, the proportion of borrowers with experience is even higher, ranging from 50 to 100 percent, among the clients of a given loan officer (per their own perceptions)

The first contact with the client can occur in three different ways

One, the potential client walks into the offices of Calpia looking for information The most common referral comes from a current client The potential client has heard of Calpia from a friend, a relative or a neighbor who is already a current client of Calpia

Two, a repeat borrower recommends a person This person is then visited by a loan officer, who offers the services of Calpia

Three, when the rural loan officers visit a region, they have a meeting point This meeting point serves as a link to old borrowers and also gives new interested persons an opportunity to talk to the loan officers An urban loan officer may be approached by a prospective borrower when walking in his designated areas (in a market, for example)

When the initial contact took place out of the office, potential applicants along with those who went directly to the office are scheduled for a talk at the branch (*charla*) When demand is high, this talk is held for groups of 20-30 persons When demand is low, the new client is able to talk with a loan officer alone In both cases, the message is similar In new branches and when Calpia is still unknown in the region, the *charla* can take place in a cooperative or any sort of existing local association Although important, the talk does not have the some central role that it appears to have in some Bolivian MFOs (Gonzalez-Vega *et al* , 1997)

Calpia uses this first *charla* for various purposes

First, as a showcase of services The talk emphasizes the wide array of services offered by the organization, emphasizing the lack of red tape (*agilidad*) in the process The benefits of the possible relationship in the short and the long run (*permanencia*) are emphasized as well as the capacity to tailor terms and conditions to individual demands (*flexibilidad*) Loan officers want to clearly differentiate Calpia from organizations characterized by red tape (such as the BAF, for rural clients, or commercial banks, for urban borrowers) and from the temporary character of NGOs

Second, the exposition next changes subject to the responsibilities of the borrower and to how stringent an organization Calpia is In order to get the promised benefits, a new borrower has to comply with a number of requisites The borrowers have to be able to show that they have a productive opportunity, that alternative ways of repayment exist (collateral and other sources of income), that they do not have a delinquent loan anywhere else, and that they can be trusted The talk also underscores that Calpia is a profit-making center and not a give-away organization For example, in the case of late payments, Calpia will remove any collateral pledged by the borrower As further proof of its seriousness, Calpia keeps collateral seized from delinquent clients (TV sets, sewing machines) in sight during the meeting

Calpia expects that the *charla* will serve as a self-selection mechanism Self-selection is the process by which not-creditworthy borrowers select themselves out and do not apply for a loan When a borrower is not expecting to repay and does not foresee any punishment for such behavior, then he will apply for a loan If, in contrast, the punishment is perceived as certain, the expected benefits of defaulting will be reduced

An efficient self-selection mechanism will serve to separate borrowers who expect to repay from those who expect to default Borrowers are informed that, in case of default, all agreed penalties will be enforced Ideally, the pool of applicants will be reduced to only those individuals who expect to repay (they are willing and they expect to have the means to do so) If the process is efficient, the organization will only invest in a detailed individual evaluation for a reduced number of applicants An inefficient mechanism will eliminate few or none of the applicants, and the organization will have to invest more resources in the next step of individual evaluation

The *charla* at Calpia is a very powerful tool, the loan officers estimate that around 30 percent of those attending people leave after the *charla* is over Even though the *charla* has a similar message at all the branches, its effectiveness depends on the charisma of each speaker

3 2 1 Evaluate, Evaluate, Evaluate

After the *charla*, potential clients still interested in a loan are invited to fill out an application and to talk to a loan officer This one-on-one interview takes place immediately after the *charla* is over, except when demand is high The loan officer must now evaluate the creditworthiness and riskiness of this newcomer Depending on the results of the evaluation, terms and conditions of a loan will be determined or the borrower will be rejected Rejection always occurs in a subtle way The loan officer will set unattainable prerequisites, so the rejection will not be taken personally

The complete evaluation process is arduous It involves gathering information from three major sources the client, referrals (other clients and financial organizations), and visits to the client's business (farm) and home Since each step is costly, loan officers start with the in-office tasks first and only after the client qualifies, field visits are scheduled Each filter is increasingly more costly to implement It makes sense, then, to start with the least costly tasks and engage in the most costly tasks later on Because his activity will influence his salary bonus, the loan officer has incentives to economize But, what specific information is gathered in each step? This is discussed in the next three sections

3 2 1 1 Step 1 Information from the Cl ients

The first interview of the client with the loan officer is extremely important It is the first opportunity the officer has to evaluate the character of the client It is a short but very effective interview The main points discussed are

(a) The loan officer wants to know how this person knows about Calpia From a current borrower?

(b)The purpose of the loan is then discussed What is the loan going to be used for? How it is going to be repaid? Here, the agricultural background of the rural loan officers plays an important role A loan officer cannot be fooled about yields, cattle production or product prices Loan officers know yield and price averages in the region and they have a pretty good idea about what is needed to obtain a given yield Then, it is explicitly stated that in case of a problem with the major source of repayment, alternative sources of payment should exist In reality, loan officers are not interested in the specific use of the funds as long as the loan is repaid Calpia also recognizes that in the evaluation of repayment capacity, the whole household-business unit must be analyzed

(c) The guarantee is the next issued to be discussed The loan officer explains the kind of guarantees that are accepted and the advantages and disadvantages for each kind

Once a general agreement is reached, the loan officer gives the client a form to fill out The form may be filled out on the spot or the clients may bring it later The form summarizes the information already requested in the interview plus some documents that will serve to back it up

Rural loan officers work with two basic application forms one for farm credit and another one for microenterprises Each loan officer has a region to attend In each region it is possible to find people engaging in farm and non-farm activities (called microenterprises) The microentrepreneurs are mostly merchants or artisans Other than their rural location, these microenterprise activities differ little from the activity of a typical client of an urban loan officer

Rural loan officers are authorized to negotiate loans for non-farm purposes if the client belongs to their region In fact, rural loan officers are able to diversify their portfolios by granting loans for alternative purposes Consumer loans are not explicitly offered but loan officers recognize that through fungibility and the lack of supervision, loan funds are used for consumption As long as loans repaid, no one is concerned with this diversion

For farm loans (crops and livestock) the form requests information about

(a) Personal information name, address, name of spouse if applicable,
(b) Information about the business type of activity, experience, address and size (number of employees),
(c)Information about current and past loans,
(d) A brief description of the loan requested size, term to maturity, sources of repayment and guarantees,
(e) References from at least two people (relatives are not accepted)

For microenterprise loans, the form is simpler and it only requires information about the applicant and spouse, the business, and the loan

With this information in hand, the loan officer will program a visit to the client in the following days In the meantime and before visiting the client, the loan officer will try to get information from other sources

3 2 1 2 Step 2 Information from other Sources

The most important piece of information are references For all borrowers, rural loan officers check with the BFA and *Cajas de Credito* since both of them constitute the largest lenders in rural El Salvador The BFA and Calpia, in particular, exchange information continuously Since both financial organizations derive benefits from it, the exchange occurs fast Sometimes, a fax or a phone call will be enough to know the status of a borrower in the other organization If the loan is large, other sources such as *Pro-Credito* (a private rating agency) and the Superintendency of Banks may be consulted

If a borrower is found to have a delinquent loan outstanding, the loan process is terminated immediately If the client has a current loan, depending on her remaining repayment capacity, a loan from Calpia is still possible Calpia does not require that the Financiera be the unique source of funding for the client

Urban loan officers use the same credit rating agencies, the Superintendency of Banks and *Pro-Credito* In addition, though, they may consult some other major lender such as a whole seller Whole seller credit seems to be more important for urban clients than for rural clients This may happen because the proportion of merchants is higher in the urban than in the rural areas

The most important referral for Calpia's borrowers comes from established borrowers in the region This, in the words of the loan officers, is the most important reference If the rejection of the loan application is foreseen because of bad references (or any other reson), loan officers have different strategies to bring the news to the applicant The rejection will always be done rapidly and in an impersonal way In the majority of the cases, they will propose to the client terms and conditions so tight that the client will automatically remove the application The loan officer may also blame a credit committee for these tighter conditions This is done in order to avoid any personal confrontation (this behavior is understandable in a country where violence still persists), but it is also done in order to leave the doors opened for future business We sholud emphasize here that the speedy the rejection is as important as a speedy disbursment because, in both cases, the transactions for the borrowers are diminished

In general, the initial interview, application form and information collection before the visit to a rural client is more complicated and detailed than what a urban loan officer would require This happens because the most expensive part in the evaluation process for a rural loan officer is the actual visit, while in the urban setting a loan officer will usually be able to walk to their client' businesses A visit in the rural areas is expensive so it is only done when the loan officer has enough confidence that the applicant is a potential client

3 2 1 3 Step 3 Information from Visits to the Client

An integral part of Calpia's lending technology is an on-site visit to the borrower The visit has three major components a visit to the home and to the site where the business takes place as well as to the community in search of references

In the visit to the home, the loan officer is looking for signals that will help to evaluate the applicant better These signals include

(a) state of the intra-households relationships,
(b) quality of life of the household,
(c) condition of guarantees,
(d) accessibility to the guarantee, and
(e) documentation

At this stage, any documents that may backup the application are requested These documents include paid bills (utilities), receipts from payments on current obligations (to the BFA, NGOs or from the acquisition of appliances), title to the house and land, receipts of remittances, and documents about the business

Then the loan officer visits the plot or the barn where the loan is going to be invested The loan officer observes the techniques and practices used by the client He observes and personally evaluates inventories, stocks, machinery, sales if applicable, and the like

Even though this detailed information gathering may appear demanding and cumbersome, it is not enough Personal references are still necessary The loan officer talks to neighbors, established clients in the region and/or merchants in the region

The conversations with community members allow the loan officers to corroborate their information Simple questions are about character Is this person a respected member of the community? Is this person a hard-working farmer? Merchants are asked if they provide credit to the borrower In some cases, rural loan officers find out that the plot of land does not even belong to the client However, the lack of ownership *per se* does not preclude a farmer from getting a loan (as long as others are presented-see section 3 2 2 4 for a detailed explanation acceptable guarentees), but a finding like this will erode the trust between borrower and lender The loss of trust detemines the termination of the relationship

The lending technology requires that both urban and rural loan officers visit both the home and the business of the borrower The emphasis placed on each visit is different, though Rural loan officers pay particular attention to conditions of the household, while urban loan officers are more interested in visiting the business than the residence

3 2 2 The Evaluation Form Summary of Findings and Recommendation

The evaluation report summarizes all the findings and recommendations made by the loan officer In this section we will only analyze the forms required for farm credit (crops and livestock) The information needed for each section, in a way, summarizes Calpia's requirements for a loan Next, those requirements are discussed

3 2 2 1 Household and Business Data

The information to be collected includes observations about the composition of the family (number of members, working status and age range), status of the property (owned, rented, with title), and an estimate of the value of the house and other fixed assets A brief assessment of the farm is also required size of plot, location, type of irrigation, type of crops, status of property and estimates of its worth

Calpia understands that for rural households, the business (crops, livestock) cannot be separated from the household This is an indivisible unit of revenues and expenses

3 2 2 2 Historic and Projected Financial Statements

A detailed cash flow is prepared The cash flow is important because it reflects the perceived repayment capacity of the client without and with the loan The estimation has three interesting features

(a) It includes revenues and expenses for the whole economic unit, from all sources On the revenue side, items such as remittances, proceeds from sales and wages are included, on the expenses side, everyday household expenses such as food and clothing are included

(b) Production parameters (crop yields or cattle production) are calculated as a weighted average of three components the maximum yield (one-fourth of the total weight), the last yield (one-fourth of the total weight), and the worst yield (one-half of the total weight) It is recommended that in the estimate of the value of output, minimum expected market pricesshould be used

(c) The relative contribution of each activity of the farm-household unit is relevant When the main source of income is not agriculture, the loan officer is required to present a detailed analysis of the alternative activity Diversification is so important to reduce risk that the loan officers have the tendency to reject specialized applicants with single activities

The loan officer must also construct a balance sheet This balance sheet has to be prepared even if the client already has one, which is very rare The numbers presented in the balance sheet are mainly estimates by the loan officer from the visit to the client Particular attention is paid to inventories (machinery, cattle) and debt At this point the loan officer has already verified outstanding obligations with the typical rural lenders (BFA, *Cajas de Credito*) and for larger loans from the two available credit rating agencies (*Pro-Credito* and the Superintendency of Banks)

3 2 2 3 References

In the application form, the borrower is required to provide names of people who may be able to recommend the applicant Most of this information seems to be useless, because rural loan officers understand that these are friends or business partners This information is valuable, however, when the names correspond to current borrowers with a good repayment record In any other case, loan officers look for their own references Some of them trust some contact person in the town (an established borrower), merchants or neighbors

3 2 2 4 Guarantees

A borrower's repayment behavior is influenced by several factors One of these factors is the potential loss of an asset pledged as collateral The loss of this asset is the first consequence of lack of repayment At Calpia, the typical loan contract does not explicitly consider any exception to this rule It is clearly established that the contract will be enforced, independently of the state of nature (loss of a crop, drought, a sudden drop in prices) Such contract enforcement can only occur if the legal system allows it Where the legal system is inefficient and cumbersome, the lender has to find other means to enforce the contract

At Calpia, guarantees play three important roles First, pledging collateral decreases the expected gains from default for the borrower Second, collateral requirements serve as a signal to prospective borrowers of the seriousness of the organization Finally, collateral decreases the losses for Calpia when default occurs The three objectives are not necessarily always present A household appliance –a refrigerator, for example- may have a low retail value (even compared to the loan) but it may have a very high consumption value for the client, thus strengthen the incentive to repay Also, there are high-retail-value items that, due to legal constraints (slow judicial system), are of little value for Calpia

In practice, the number of guarantors and the value of the guarantees requested exceed the minimum required by the manual of the organization Loan officers along with branch managers have the power to increase these requirements as they feel convenient Next, the types of guarantees that are usually accepted by Calpia's rural loan officers are described

In the visit to the client, the loan officer always tries to talk to the spouse Her inclusion as a guarantor has become a rule in Calpia It shows the commitment and agreement of the whole household towards the new obligation

A number of items are accepted as collateral Household appliances and furniture constitute the most frequently accepted assets Items such as TVs, VCRs, refrigerators, stoves, and tables are common collateral items Loan officers try to include as many appliances and furniture as possible for each household The advantages of this choice are several

(a) in case of default, the small size of these assets makes it easier to move the collateral to Calpia's branches,
(b) it is easier to sell small items than large ones,
(c) some of these items have a high consumption value, thus, losing the item may influence behavior, and
(d) the legal constraints to remove these items from the household are fewer

In order of importance, machinery and cattle follow household appliances as common collateral Machinery are a good asset but to use them as collateral, they need to be legally registered Registration is not too troublesome but it adds costs (in time and monetary terms) to the transaction Machinery may have a high value at sale (*remate*) for the client but they are more difficult to sell, since this is a more specialized asset Cattle is accepted through a document (*carta de compra*) that establishes that if the cattle is sold, Calpia has a right to the proceedings Due to its mobility and the risks associated with it, livestock is always accepted as complementary collateral only

The fourth and least used form of collateral is a mortgage on the house This collateral is used only when the loan amount is large enough to justify collateralization costs The legal process of setting up a mortgage is long and expensive The formalization of this collateral can take up to a month A month in agricultural activities is a long time, where opportunities for cultivating or harvesting can be easily lost As a partial substitute, rural loan officers accept land titles in deposit They understand that, in case of default, they cannot foreclose on the house or the plot of land However, the mere threat of legal problems works with some clients

This approach is not always well understood by new clients Sometimes they walk into the branch thinking that, as it is common in traditional banks, to offer a mortgage will automatically imply approval of the loan Later on they find that having a stock of small but highly valued and movable items is better for collateral

A combination of movable collateral (household appliances and/or cattle) and the signature of the spouse are enough guarantee when the family owns the house and/or the plot of land If they do not own property, additional guarantors are needed The best additional guarantor is a current client of Calpia in good standing If this is not possible, a guarantor who owns a house is preferable If the guarantor is considered as the main backup for the loan, he or she will be visited by the loan officer If the guarantor is used only as an additional guarantee or the guarantor is known, the visit will not necessarily take place Still, documentation from the guarantor is also requested

Sometimes, a member of the household is a wage earner When this is the case, an irrevocable payment order is used (OIP, *orden irrevocable de pago*) This document establishes that, in case of default, a portion of the wages will be garnished by the employer to pay the loan

The valuation of the guarantee is also important Due to the size of the transactions and the great variety of goods that are accepted, it would be unthinkable to have an independent valuator Therefore, the loan officer is in charge of valuing the TV or the cow There are guidelines of minimum accepted ratios of the guarantee to the size of the loan (around 1 5) The valuation depends, however, on the assumptions of each loan officer Some loan officers are more conservative than others

The established ratio (1 5 to 1) is designed to cover all liquidation costs Loan officers estimate that they rarely recover enough to pay for the principal, interest and other cost associated with defaulting Frequently, moreover, the delinquent borrowers pay their loans just a few days after the collateral has been seized by Calpia This shows that the borrowers did not expect this extremely stringent behavior and that they pay their dues when they realize Calpia's intent to collect Even when the borrowers recover their guarantees, the demonstration effect on other borrowers is powerful and it goes beyond any verbal threat

As it is described in this section, Calpia does not require farmers to be the owners of their plots of land Its technology allows to secure loans through alternative ways This innovation is important in a country like El Salvador where an important portion of the farmers rent land (Buchenau, 1997)

3 2 3 Approval and Disbursement

Any loan application, regardless of size, cannot be approved solely by the loan officer A credit committee is in charge of approving, modifying or rejecting any loan application, using the information provided by the loan officer The credit committee is, in a way, the second most important filter in the loan application process

Depending on the size of the loan, the credit committee is conformed, on the one hand, by the loan officer, and on the other, by a branch credit coordinator, the branch manager, Calpia's Credit Manager For the largest loans, the committee formed is by two members of the board plus two managers of Calpia Not all branches have credit coordinators, in which case the branch manager takes over these functions

When the loan is rather small (up to 45,000 colones or around $ 5,000), the approval process is fast and simple Early morning, the rural loan officer delivers the application and evaluation forms along with any relevant documentation to the branch manager In the same morning and after the loan officer has presented the case in person, the manager (or the credit coordinator) makes a recommendation

When the loan has to approved by a committee where the members are not at the branch (level three or level four), the process takes a few days The majority of loans in Calpia, however, fall under the branch manager's control

The next question is how good a filter is the committee? According to the loan officers, an overwhelming majority (70 to 90 percent) of the cases are approved without modifications The rest are approved with minor modifications, and a very slim percentage (no more than 5 percent) are rejected The percentage of approved loans without modifications increases for old borrowers (*cliente recurrente*) and when the rural loan officer is more experienced

When modifications occur, not all terms and conditions of the transaction are changed The size of the loan is the most common revision, followed by the term to maturity It is also usual to maintain the size of the monthly obligation but to modify the size and the term to maturity of the loan so that total risk can be decreased

Despite its role, the credit committee is not, by far, the main screen This responsibility relies predominantly with the loan officer This is why the loan officer's incentives, constraints, and attitudes are so important (see section 3 4)

The decision of the credit committee is transmitted to the client through the loan officer Even with modifications, most of the clients accept the offer The whole process, from the application to actual disbursement, takes from three to five days The waiting period depends on the loan officer being able to visit the region and putting together all the documentation

A rural loan officer will not ordinarily make a long trip to visit only one client, the visit will be put on hold until additional tasks (monitoring or recruiting new clients) can be added to the trip If the loan officer is able to visit the client on the spot, the whole process will take no more than three days

3 3 Monitoring in Calpia Supervising Repayment Capacity, not Production

The goal of the in-depth evaluation of the main sources of income of the client is to estimate repayment capacity If the main activity of the applicant is the production of corn, the loan officer will analyze, project and evaluate corn production The terms of conditions of the loan will be adjusted to the cycle of corn production The ultimate objective of Calpia, however, is not to ensure the production of corn, but to ensure repayment As a further safety feature, a loan officer will always request about an alternative source of income which, in case of failure of the main activity, will make repayment possible

In the rural areas, consumption loans are not explicitly offered, not because Calpia cares about the specific use of the funds, but because it has not yet developed a lending technology for this sort of loans The loan officers recognize, however, that an important portion of the funds may be diverted to consumption or activities different from those of the agreed project This will not trouble any loan officer, unless it increases the risk of the loan

The precise nature of the monitoring activities depends on the loan product The three main loan products offered in the rural areas are

(a) seasonal credit, very short-term loans used to finance working capital during peak periods,
(b) microenterprise credit, consisting of short-to-medium term loans destined to finance working capital or investment in microenterprises (not for crops or cattle production), and
(c) agricultural credit, short-and medium-term loans used to finance working and investment capital in agricultural activities

The portfolio of the rural loan officers is composed, in order of importance, of credit for crops, credit for cattle production, and microenterprise credit

After disbursement, the borrower may be visited by a loan officer This visit does not necessarily take place for all new borrowers and for all loans The heavy workload of each rural loan officer does not allow it Even more, a follow-up visit is not an explicit part of the loan contract Loan officers have found that their mere presence in the region is a good monitoring tool A casual, non-programmed visit works well

The visit is not a long and detailed analysis of the use of the funds, it is only a short, friendly encounter The rural loan officer merely talks about family, events in the region, and the well-being of the household Sometimes, a simple greeting when passing by works well (random monitoring) What is important is that the clients feel the presence of the loan officer in the region Loan officers report that some increases in their individual portfolio's arrears are exclusively due to their temporary absence (vacation, sick days)

3 3 1 Preventive Monitoring

Some circumstances precipitate a visit before a loan is overdue These include

(a) A negative shock A drought, for example, is not under the control of the client, but it can significantly change the borrower's capacity to repay The loan officer will try to ensure that the client is engaging in risk-coping activities to deal with the shock (looking for extra income by working at a factory, for example) The possibility of a shock always exists, and its consequences are reduced *ex ante* with the requirement that the households have alternative sources of income This is why a well-diversified borrower is always a better client than a specialized borrower

(b) Casual information from neighbors The loan officer sometimes learns that a borrower has abandoned the region or the country, is sick, has some family problems, or has been a victim of violence Even in the cases of death, loan officers have been successful in recovering the loan from surviving relatives

(c) Change in the project The visit helps to verify if the alternative choice still fits the payment schedule The loan officer knows that the client perceives better than outsiders the whole range of alternative opportunities that may appear after disbursement Therefore, the loan officers do not worry about changes of crops, they just want to ensure that repayment capacity is not jeopardized

(d) A large loan with a lump-sum payment In order to provide the farmers relief during liquidity crunches, Calpia uses seasonal credit The main characteristic of these loans is that the principal and interest are paid in a single balloon payment If , in addition, the loan is relatively large, the loan officer visits the client to see what is happening A lump-sum payment does not provide the continuous rich flow of information that frequency of payments provides

(e) The end of the month A key component of the evaluation of the performance of the loan officer is the level of arrears at the end on the month Although loan officers are always worried about arrears, when the end of the month approaches, they pay particular attention This is an understandable behavior, since wages are calculated, in part, by arrears at the end of the month

3 3 2 Corrective Monitoring

If default occurs, the first action taken by the loan officer is a visit The information system of Calpia allows the loan officer to know the very next day if a borrower has a late payment Loan officers do not panic the first day If because of other activities they are visiting the region, they talk to the client, but the first day of arrears is not a cause for worry Usually, if the arrears continue after 3 to 5 days, the loan officer visits the client

There may be understandable reasons why a client has not paid yet The client may have simply forgotten the payment date This is common, so loan officers, at least at this point, just make a friendly suggestion This first time the loan officer will not talk about seizing collateral or other radical measures He will, nonetheless, warn about the damage to the client's rating (*la nota*)

Calpia's rating system has two components The first one is an automatic grade based on promptness of payments The second one is a loan officer's grade based on his evaluation of the borrower The automatic system uses the average number of days a payment is late cumulative during the sequence of loans of the borrower Clients who, on average, pay before three days after the due date, get a grade (*nota*) of *one*, if the payments are received late, from three to four days, the grade is *two*, if they are late from five to six days, the grade is *three*, and if they are late from seven to nine days, the grade is *four* The worst grade is *five*, for clients with late payments that average 10 or more days

The grading is adjusted for special circumstances Any installment late for over 30 days or more, even if a single quota, receives a grade of *five* Also, for seasonal credit, the system is adjusted and a client will get a grade of *five* if the payment is received after more than ten days Finally, if a late payment agreement is in place (*moratoria*) , the system will not count those extra days towards the total number of late days For lump-sum repayments, the automatic grading system is different It assigns a grade of *one* to clients with late payments of up to five days, grade *two* for late payments from six to ten days, grade *three*, for late payments from eleven to 20 days, and grade *four* for late payments from 21 to 29 days The worst category is *five*, for late payments of 30 days or more

The automatic system, in principle, may not be able to discriminate between higher-risk and lower-risk individuals For example, consider one client who has always paid on time (19 times) except for the last payment, which is now 20 days late Compare him with a different borrower who is always one day late, but then he pays Under the automatic grading system, both clients would get an automatic grade of one Clearly, the first client is riskier than the second one, but the system does not recognize it The rating system is, then, counterbalanced by the loan officer's grade

The loan officer uses the same scale, from one to five, to grade clients The grade reflects the loan officer's personal evaluation and not the number of days the client has been in arrears In most cases, the loan officer's grade is the same as the automatic grade Calpia disqualifies all clients with grade *five*, and it places restrictions on clients with grades *three* and *four* When there is a difference between the loan officer's grade and the automatic grade, the loan officer must explain the causes for the differences and the branch manager decides on the final grade

3 4 Procedure Adjustments for Repeat Borrowers

A borrower who requests a second, third, or fourth loan from Calpia has an additional advantage reputation This is an implicit asset for a client who has acquired a good reputation with the organization This element gives the loan officer additional information by revealing the client's actual performance Any loan is still risky, but experience with the client allows consideration of a wider set of risk types among the borrowers Accordingly, the terms and conditions of the loans can be adjusted to individual circumstances and to repayment performance

For a repeat borrower, a loan officer is required to make a new evaluation The forms are simpler, but still require some work To update financial statements and guarantees constitutes the core of the analysis A visit for each renewal is highly recommended In practice, though, the actions taken by the loan officer for a repeat borrower depend on a number of circumstances

The first element is the grade (*nota)* The grade determines the ceiling on the size of a future loan The maximum loan size, for a client with grade *one*, may double the previous loan size Size remains the same for clients with grade *two* With grade *three*, the new loan size is only 75 percent of the size of the previous loan With grade *four*, loan size shrinks to 50 percent and, finally, a client with grade *five* is not eligible for a loan anymore

As discussed earlier, in most cases the loan officers agree with the automatic grade In very few cases they propose a change in grade for a particular client, due to special circumstances Some loan officers argue that the grading system should allow them to make changes faster, since they are the ones who know the client the best

The second element is the nature of the changes in the loan contract If there is a significant change in the terms and conditions of the loan, then a visit by the loan officer is explicitly required on instructions by the branch manager The most common changes are increases in loan size and/or the guarantee Changes in term to maturity are rare since agricultural cycles are given

The third element is any previous visits All clients, most likely, have already been visited as part of preventive or corrective monitoring activities of the loan officer These visits have already contributed to the stock of information needed for granting a subsequent loan

The fourth element is a change in the activity to be funded Regardless of the grade, if the loan officer learns that the client is going to engage in a different activity, then a new evaluation is needed

A fifth element are references Information about the use of the funds or waste by the client may come form other clients in the region A client may tell the loan officer that another client is having problems with the crops or is about to leave the country Under these conditions, even for a client with a perfect record, a visit will be programmed

The final decision of whom to visit belongs to the loan officer For a very well-known client, the visit may be only a friendly greeting, and the information presented to the credit committee just a repetition of the previous report In other cases, a visit may take longer, and the loan officer would be genuinely interested in observing production performance or the guarantees

3 4 1 A Note on Deviation in the Use of Funds

The process of corrective monitoring or a visit before granting a second loan offers a great opportunity to learn about how the funds have been used Was the proposed project a good project or not? How were the funds allocated?

Loan officers are not concerned about the specific use of the funds Rather, they are concerned about a change in the risk profile of the borrower The project was only a means to an end, not an end in itself The project is relevant only as it changes the probability of repayment Sometimes, loan officers are worried because the client has invested in crop x instead of crop y, not because Calpia is interested in promoting the production of x, but because the crop cycles may be different If the cycles are different and the current schedule of payments does not fit the new cycle, arrears may increase By the same token, if the alternative activity improves the probability of repayment (*e g* , the establishment of a store which is showing good prospects), then the loan officers will not be concerned at all

Calpia's loan officers estimate that deviation of funds occurs in few cases (5 to 20 percent of all borrowers) They claim that deviation shows that the clients are diversifying their activities and that this is positive Concern only arises when repayment is negatively affected by the changes

3 5 Contract Enforcement When it Happens and How it Happens

The first response to a late payment is a visit (corrective monitoring) The visit takes place after about 5 days of the due date If the client still does not pay, the loan officer will continue to visit in an attempt to put some pressure on the borrower Some loan officers will visit a client twice per week and others twice per month (which is the minimum recommended by Calpia)

In the first attempts to collect, the loan officer just talks about the consequences of being late, from the loss of a good credit history to the probable seizing of collateral At the same time, the officer evaluates the causes of the arrears He wants to know if the lack of payment is a result of a temporary cash flow bump or of lack of willingness to pay

When the loan officer estimates that the problem is just temporary, a late payment agreement (*moratoria*) can be reached The late payment agreement gives the client some extra days to pay the delayed quota and avoid late fees From the next quota onwards, however, the original payment scheduled prevails During training loan officers are instructed that this should not happen very often This modified payment plan (*moratoria*) is only used with very good and well-known clients It is, then, the exception and not to the rule at Calpia

In all other cases, if the late payments persist for 30 days, collateral is seized Collateral is seized by the loan officer himself, accompanied by the branch manager, the credit coordinator or another loan officer Loan officers report that, in a few cases, they have had problems in seizing collateral The collateral seized is then stored at the branch

At this stage, payment is still possible At least half of the clients in arrears pay their dues in order to recover the collateral seized within the next 15-20 days After that, the loan officers believe that the loan will not be repaid The loan officers are in charge of selling the seized assets In most cases, another client buys the goods Loan officers claim that they do not have time or the expertise to be selling TVs and sewing machines, but that they have to do it, since overdue loans affect their income (monetary incentives)

When collateral is finally sold, the proceeds do not usually cover the amount due to Calpia In some cases this happens because late fees and interest have accumulated or because the goods have depreciated much If the residual debt is small, it will be written-off If not, it will stay in the loan officer's portfolio In the past, after one year any residual debt was written-off from the loan officer's portfolio Nowadays, this practice is under scrutiny by management, and in the last year no loan has been written-off It is also interesting to note Calpia's practice of calculating accrued interest In order not to grossly overestimate accrued income, after 90 days no more accrued interest is calculated Calpia builds provisions (reserves) to account for accrued interest not received

3 6 Coordination of Lending Activities

There are at least two ways lending activities can be organized Under one way, the organization may assign each lending activity to different employees a group of people are in charge of screening clients, another group are credit analysts, and other group are collectors This scheme tries to exploit the advantages of specialization, but it forgoes other benefits that come from the concentration of information and activities in a single person (economies of scope) The second way to organize lending activities rests, precisely, on these economies of scope at the loan officer level This is the case for Calpia

At Calpia, most lending activities are concentrated in the loan officer This section presents a layout of the timing of the activities of a loan officer The basic lending technology used for both rural and urban loan officers is quite similar, so a single description is presented below If differences were observed, they will be pointed out

3 6 1 A Week in the Life of a Loan Officer

Loan officers at Calpia have a work schedule with extended hours A usual day for a loan officer starts early in the morning to finish after nine hours During peak season times (planting and harvesting), for the rural loan officers, and during holidays such as Christmas, for urban loan officers, some of them have reported to work more than 14 hours per day They work most of the time at the branch or in the field, but in the evening they take two-to-three hours at home to catch up On Saturdays, they work in the office in the mornings and most of them add a couple of hours at home Saturday evenings and, if needed, a couple of more hours on Sundays

The day of a loan officer invariably starts with identification of the defaulters Loan officers spend from 20 minutes to an hour reviewing the daily report of defaulters, planning strategies to collect, and talking about some initial actions for collection The daily report lists all clients with late payments Most urban loan officers will be able to call the defaulters by phone right away For the minority of clients who do not have a phone, the evaluation will serve to plan ahead for visits They may review installments that are due to determine if any preventive monitoring is necessary (given the size of the loan and the history of the client) The decision, especially of undertaking preventive monitoring, is left to the loan officer's discretion

Next, the loan officer will talk to the credit committee of the branch manager or credit coordinator (depending on loan size) Rural loan officers present from three to six loan proposals, depending on the season The range for urban loan officers is slightly broader, from four to seven loan proposals Rural loan officers must prepare a proposal for all clients (new or repeat) If a rural loan officer presents a loan proposal for an established good client, approval will be rapid and almost automatic Urban loan officers, in contrast, concentrate more on new clients, since some of their old clients may be enjoying a line of credit (*credito automatico*) and no evaluation report is needed In the cases of new clients and of old clients with late payment problems, there will be more of explaining to do

Overall, the meeting lasts no more than half an hour At this moment, general meetings are also held These are meeting in which the manager speaks about the actual and expected branch performance and coordinates actions to control for arrears, portfolio expansion, and other issues of general concern

Later in the morning, loan officers are divided into two groups The majority will leave the office until late in the afternoon The second group, no more than a couple of loan officers, will stay in the office to offer the informative talks (*charlas)* Depending on the attendance, one or two talks will be programmed Each talk will take no more than 30 minutes Loan officers take turns to stay in the office to give the talks Some branches will require the loan officers to stay in the office two times per week Others will require them to stay back three times per week If the workload is light, even these loan officers will leave the office in the early afternoon

The work space of a loan officer is not a desk, it is the field (the country-side for rural loan officers and the streets for the urban ones) Loan officers spend most of their time out of the office visiting potential clients, re-visiting some new clients or just taking a look at the region in search of new opportunities In a normal day, they will be out around seven hours Rural loan officers will use up to two hours for transportation purposes only, while urban loan officers may come and go from the office when the market location is close by

Rural loan officers will see from three to seven clients in each field visit A third of these are new clients, a third are old clients being visited for new loans, and the rest are spotted on the road just passing by Given the density of population in the urban area, an urban loan officer will see from ten to eleven clients during each field visit

A rural loan officer will take up to an hour to visit a new client, while an urban loan officer takes no more than forty minutes In both cases, the time spent with an old client for a new loan is less than half the time spent in the first visit

When the loan officers go back to the office in the late afternoon, they spend an hour to organize the information and to coordinate the workload for the next day A common practice among Calpia's loan officers is to use Saturday morning (four hours) to organize their files They also spend a couple of hours on Saturday afternoons and Sundays to prepare credit evaluations for the coming week During a peak season, loan officers customarily work a few more hours on Sundays

Other activities that happen no more than once per month are the seizing of collateral from a defaulter, a visit to the central office to present a large loan, and following up on the formalization of a mortgage loan

3 7 The Loan Officer's Output A Few Indicators

Measures of productivity are numerous but require detailed data A few simple indicators, nonetheless, can illustrate the workload of the loan officers of Calpia Table 2 shows such information classified by type of loan officer (rural versus urban) based on sample data These numbers are a result of the loan officer's efforts and the constraints faced in each location (*e g* , market saturation differs with branch location)

There are important differences between the portfolio of the two groups of loan officers To begin with, the number of clients reached by a Calpia loan officer is large A typical rural loan officer works with almost 400 people, and the urban counterpart with close to 300 At the same time, a typical rural loan is also larger than a typical urban loan These comparisons are biased, however, because rural loan officers never lose their portfolio of repeat clients This happens nevertheless, as urban loan officers lose their best clients each month to the category of preferred clients Once a client graduates to the preferred category, he is out of the portfolio of the urban loan officer

Another interesting feature is the relative importance of women in the portfolio of urban loan officers This just reflects that the market niche for urban loan officers is composed in its majority of women The reverse is true for rural loan officers This is not a result of any explicit targeting, but only of differences in the environment

It is important to know if these averages change over time and, if so, why The loan officers cited three main reasons why people leave Calpia

(a) They have accumulated too many days in arrears, thus, they have become automatically disqualified for any new loan,
(b) The borrower does not need a new loan,
(c) Some good clients leave Calpia because they feel the organization is too stringent in its requirements

Table 2 Indicators of portfolio per loan officer

		Rural Loan Officers	Urban Loan Officers
Median number of outstanding clients		390	283
Median portfolio		C 2 462 500	C 1 190 000
Loan size (median of averages)		C 6,311	C 4 793
Percentage of women in the portfolio		30 percent	63 percent
Last month processing of	**New clients**	35 percent	17 percent
	Repeat clients	65 percent	83 percent

Note The exchange rate is 8 7 Colones per US dollars

3 8 The Carrots for Efficient Behavior Performance-Based Wages

The measures of productivity discussed above show a good performance of Calpia's loan officers This is good performance in two senses improved performance over time and good performance with respect to comparable peer organizations This section explores the structure of incentives in place at Calpia, which contributes to this performance record

Calpia has two systems of pecuniary rewards a fixed salary per month and a variable portion of the remuneration depending on performance The second component prevails in the lending department Loan officers and credit coordinators earn a variable remuneration that depends on performance Furthermore, Calpia's system is based on individual performance

The monetary incentives do not tell, however, the whole story Non-monetary incentives also play an important role in influencing their behavior but are more difficult to characterize Status and identification with the mission of the organization are good examples of non-monetary incentives An understanding of the structure of incentives is relevant since any change in this structure has implications for loan officer behavior and the quality of the services supplied In turn, the quality of services may attract a particular demand and ultimately change final outcomes (for example, changes in outreach and sustainability)

Since most of the lending activities of Calpia are carried out by the loan officer, the analysis focuses on the monetary incentives offered to them

3 8 1 Monetary Incentives for Loan Officers

The monetary rewards for loan officers at Calpia have two basic components the fixed and the variable portion of the monthly remuneration The fixed portion for new loan officers (urban and rural) amounts to 3 000 colones (around $344) The second component is a result of a formula One formula is applied for urban loan officers and a different one is used for rural loan officers

The formula for urban loan officers includes the following elements

(a) The portfolio indicator is a combination of the size of the performing portfolio, number of outstanding borrowers, and default rates All of these indicators are calculated with respect to a given pre-set monthly goal The default rate is a combination of two rates the 8 to 30 days default rate and the over 30 days rate The over 30 days default rate is the most important part of the formula

(b) The number of new borrowers in the previous month and the number of new preferred borrowers also enters into the formula Their contribution, again, depends on pre-established monthly goals

The contribution to the bonus of the number of new borrowers and preferred borrowers also depends on an optimal number previously established by Calpia The weight given to a marginal client (over the optimal number) is five times higher than the weight given to a new preferred client (also over its optimal number)

The formula is then averaged over the results of the past twelve months The resulting bonuses are, then, smoothed and earnings variability is reduced

The formula combines the results of different and competing lending activities All loan officers have time constraints and, therefore, there is always the possibility of investing less time in one activity and emphasizing others The formula is a combination of stock indicators (portfolio size, number of borrowers) and flow indicators (numbers of new borrowers and new preferred borrowers)

The marginal contribution to the loan officer's income of spending more time in one lending activity over another depends on the pre-established goals and on the current value of the parameters for a loan officer Some circumstances (branch and clientele location, degree of market saturation or established goals) have a different effect on the behavior of a loan officer with a large portfolio versus one who is just starting By the same token, the marginal effects on income are different if the circumstances vary (for example, with the entry of a new NGO in the region), for the same loan officer It is difficult to design a fair sytem where effort is always rewarded equally Even at the branch level, where loan officers are assigned similiar and exclusive zones, it is imposible to guarantee that bussiness opportunies will be the same Some loan officer will find easier to reach certain goals than other even putting equal effort The effects, thus, are complex and inter-linked

At the time of the interviews, urban loan officers agreed that new borrowers and low default rates (especially 8-30 days arrears) were the most important factors in their bonus A new client gives a boost to the bonus because it enters into the formula four times first, as an increase in the number of new borrowers, second, as a an increase in the total portfolio, third, as an increase in the total number of borrowers, and fourth, because the default ratio (overdue portfolio/performing portfolio) tends to decrease

The effect on the bonus of a second loan to a given client is much smaller It influences only the size of the portfolio, which is only one component of the portfolio indicator When an old client attains the preferred client category and is granted a line of credit, the client is taken out of the loan officer's portfolio This has two effects on his compensation The first effect is a decline in the bonus, because it negatively influences the portfolio indicators –size and number of borrowers- and worsens the default rate The second effect is positive, because the formula explicitly recognizes a one-time payment for a preferred client

The overall effect is, nonetheless, ambiguous If the preferred client was a client with a relatively small loan, the one-time payment may compensate for the reduction of the loan officer's portfolio If the client was relatively large, the one-time payment does not compensate for the decreased portfolio By definition, the preferred client had none or few late payments (better than the average client), therefore, the average default rate increases

Even more, if after some time the preferred client needs corrective monitoring, the loan officer who was formerly in charge of him will be in charge again This extra work is not reflected in a change in the formula Loan officers consider that the one-time payment should compensate for the portfolio losses and additional work that may be necessary afterwards

In any case, the scheme seems to free some time for the loan officers to seek new borrowers rather than spending their time in renewing and presenting loan proposal for old clients The affected group are those borrowers who are not new but are not in the preferred category either A loan officer will prefer to spend an hour with a new client rather than an hour with an old one [2]

In the case of market saturation, more time may be spent in each single loan and, if allowed, a loan officer may prefer to spent more time with old borrowers To avoid this shift and pursue further growth, Calpia has recently decreased the reward for a new preferred client

For rural loan officers, the formula for the bonus follows similar principles

(a) Only indicators of portfolio and number of new borrowers are included in the formula The category of preferred borrowers does not exist for a rural loan officer

[2] Some loan officers claim that the change in the formula to raise the importance of new clients and lessen that of old clients has had a negative effect on loan processing for an old client who is not a preferred client yet

(b) As is the case for urban loan officers, the portfolio indicator is a combination of the size of the performing portfolio, number of outstanding borrowers, and default rates All of these indicators are calculated with respect to a given pre-set monthly goal The default rate is a combination of two rates, the 8-to-30 days default rate and the over-30 days rate The over-30 days default rate is the most important component

(c) The number of new borrowers in the previous month enters into the formula

(d) The formula is then averaged over the results of the past twelve months The resulting bonuses are, then, smoothed and earnings variability is reduced

Variability was a big concern for rural loan officers because they had substantial increases during the peak seasons and rapid falls thereafter Loan officers used to plan larger spending in those days The smoothing process should, overall, benefit loan officers but some of them felt that their income was being reduced This happened because the change took place during the peak season Any other season, the loan officers would have felt an improvement in income rather than a decline

As for urban loan officers, the contribution of each factor depends on pre-established goals An important difference, however, is the relative importance of the portfolio and new borrower indicators They matter more because the preferred category does not exist The contribution of processing a loan for an established client loan enters only through the portfolio indicators There is not a one-time payment when a good client graduates Furthermore, the loan officers have to present a detailed loan proposal for each loan In contrast, urban loan officers use simpler forms, and they do not have the forms any longer when the client is granted a line of credit as a preferred borrower

In addition, the bonus seems to work quite well during a growth stage A loan officer exploiting a new market niche will not have problems getting new borrowers The loan officer will devote much of the time in the field The problems start when the portfolio ages or grows If the portfolio ages, the loan officers increasingly have to use more time in corrective monitoring and contract enforcement activities Monitoring and contract enforcement keep the stock indicators (portfolio size or number of borrowers) constant but punish the flow indicators (number of new borrowers) The same happens when the number of borrowers grows too much As the number of borrowers grows, the rural loan officer has to devote more and more time to remind dates to borrowers, renew loans, and the like

Given the scheme current at that time, it could happen that the wage of an excellent rural loan officer would decrease over time Besides market saturation, a rural loan officer in particular has to spend time in keeping a portfolio healthy and cannot dispose of any client to free up some time In order to keep a given salary, a rural loan officer has to take care of the current portfolio and keep adding new borrowers In these cases (when the portfolio is large), it may be optimal for Calpia to let this loan officer take care of the current portfolio rather than pressing him to acquire new borrowers

Once more, the formula seems to have the desired effect of promoting growth but it has some adverse effects for mature portfolios and saturated niche markets Neither of these problems are under the control of the loan officers, but the latter may see their income decline over time, even when the number of work-hours per day increases The opening of new branches, which implies some transfers, ameliorates these adverse effects in the short term As Calpia increases average loan sizes, loan officers will be able to compensate for the loss of a new client with a large increase in the size of the loan for another Loan officers with mature portfolios have an incentive to offer and authorize larger loans to compensate If this happens, Calpia may unwillingly move to a market niche not fully known yet These are part of the future challenges Calpia is starting to face as the portfolio matures and the market gets saturated

The bonus is a mangement tool and as such it is expected to change according to market conditions and resulting outputs However, the MFO must carefully plan changes and try to predict effects, otherwise it changes expectations and gives a sense of insecurity to its workers If changes must be done, they should not be drastic and not too often It is not advisable to have a loan officer changing expectations every time the MFO needs adjustment

4 Conclusions

This paper addresses the complexities of rural lending The MFO selected to illustrate the issues is Financiera Calpia in El Salvador Calpia is one of the few successful rural MFOs in Latin America Its success has been a result of a combination of factors such as a conducive legal environment, features of the market niche, and an innovative lending technology In particular, it is important to describe and understand its lending technology This technology defines the actual procedures followed to confront risk and information asymmetries in rural El Salvador

The rural lending technology of Calpia is an adaptation of its earlier urban technology Therefore, most of the general principles that all Calpia loan officers follow are the same in both cases These general principles include

(a) The household-firm (farm) is an indivisible economic unit of revenues and expenses Thus, repayment capacity must be evaluated accordingly The evaluation is exhaustive and it always includes on-site visits to the home and to the firm (farm) Both repayment capacity and willingness to pay are assessed for the entire household

(b) A larger number of alternative sources of repayment is always better Diversification of the household's activities facilitates the control of risk

(c) Loan officers are the most important link (and most of the time the only link) between Calpia and its borrowers In order to take advantage of this personal contact, the loan officers of Calpia are in charge of most lending activities (screening, monitoring, and enforcing loan contracts) Thus, Calpia exploits the benefits of economies of scope at the loan officer level

(d) Since their responsibilities are multiple, Calpia has designed a lengthy process of recruitment and selection of loan officers The process is designed to get creative individuals ready to work independently and in the streets or the countryside

(e) Performance-based wages are used to induce appropriate behavior Loan officers spend a fair amount of time outside the office To avoid opportunistic behavior, Calpia has designed a system of monetary incentives based on the performance of the portfolio of each loan officer These incentives are so important, that the majority of the loan officers use most of their weekends to catch up with their work

(f) An efficient management and information system (MIS) is a critical support of the loan officers activities Calpia responds rapidly to events due to an efficient distribution of information Information about arrears, for example, is transmitted to the loan officers on a daily basis

(g) Calpia understands that collateral is useful not only as a means of recovering the funds, but also as a powerful incentive for the borrower This is why Calpia accepts as collateral items with little resale value but with a high consumption value for the borrower

(h) Permanent monitoring in the form of casual visits or greeting customers plays a meaningful role as a signal to the borrower Borrowers know that Calpia is serious and cares about repayment

(i) Calpia enforces contracts When default occurs, loan officers seize collateral This is not only done to recover the funds but it also serves as a signal to other borrowers

(j) Promptness in the loan granting decision Calpia evaluates potential borrowers in timely fashion and acceptance as well as rejection is done very rapidly To know how fast one is going to be funds available is as important for a farmer as to know if those funs will not be available from a specific source

(k) Loans tailored to individual demands Tailoring terms and conditions to individual demands allows clients to be able to take advantage of a wider set of productive opportunity

Calpia is still in a process of a continuing adaptation of the technology to the rural areas Through a process of learning-by-doing, Calpia has discovered that

(a) The stock of knowledge needed to understand agricultural activities is far more complex than what is needed in urban environments Therefore, Calpia tends to only hire loan officers with some formal training in agriculture

(b) In contrast to traditional lenders, Calpia uses appliances (high consumption value) as collateral items This has broadened the universe of rural borrowers tremendously

(c) Another innovation is the responsiveness of Calpia to the rural market Seasonal credit is offered in peak seasons and terms and conditions of the loan contracts consider agricultural cycles

(d) The risk of specialized agricultural portfolios is counterbalanced by combining it with lending for non-farm activities

(e) Systemic risk is a much more serious problem in rural than in urban areas Therefore, alternative sources of repayment are emphasized more This does not seem to be any problem for the small farmer, who is well diversified anyway, but it is a limitation of the technology for medium and more specialized farms

(f) Another element of the technology is the permanent and continuous contact between loan officers and borrowers If a farm is not accessible, it is too costly to visit a borrower and, regardless of creditworthiness, no loan will be granted

(g) Calpia has shown that lending to farmers who do not own land is possible Calpia does not lend only to land propietors but to renters This is an innovation that has allowed a large portion of farmers to have access to credit

(h) The process of expansion has been followed cautiously Loan officers evaluate all loans, no matter how well a borrower has behaved in the past In urban areas this is no longer necessary since preferred clients are granted a credit line after they accumulate a good repayment record Routine evaluations in rural areas obviously increase costs, but these evaluations allow Calpia to learn more about this new market niche

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Annex

GUIA DE ENCUESTA PARA ANALISTAS DE CALPIA

Seccion I

1 Encuestador

2 Fecha de la encuesta

3 Zona ___Urbana
___Rural

4 Nombre de la Agencia _____

Soyapango
Nueva San Salvador
San Miguel
Central
Centro (no tiene operaciones de credito)
Sonsonate
Centro - Quezalte (no tiene operaciones de credito)
Apopa
Agropecuaria
Santa Ana
Usulatan
Mejicanos
Cojutepeque

5 Nombre del Analista _____

GUIA DE ENCUESTA PARA ANALISTAS DE CALPIA

Seccion II

1 Codigo de la Encuesta _____

A Datos Demograficos

2 Edad del analista

3 Sexo del analista

4 Soltero, casado o acompañado

5 ¿Donde nacio? ¿Donde crecio usted? ¿Donde estudio la escuela primaria? ¿Cuando se mudo para aca?

6 ¿A que se dedicaba su familia?

Agricultura _
Comercio _
Ganaderia _
Otros _
(especifique)

B Formacion y Educacion

7 ¿En que carrera se formo? ¿Donde estudio? ¿Fue una carrera universitaria o una carrera tecnica? Fechas aproximadas de comienzo a fin

8 ¿Que cursos de capacitacion (extra carrera) ha recibido? Especifique fechas y temas (antes de entrar a Calpia)?

¿Cuales de los conocimientos que recibio en su educacion formal le sirven en su desempeño como analista? ¿Como usa estos conocimientos?

C Historia de Trabajo antes de Calpia

10 ¿Cuales fueron los diferentes trabajos que tuvo antes de integrarse a Calpia? (Fechas aproximadas) [Institucion, cargo y tiempo en el empleo]

11 ¿Tenia experiencia en credito antes de integrarse a Calpia? ¿Adonde? ¿Por cuanto tiempo? ¿De que le ha servido esa experiencia? ¿Que tuvo que aprender al integrarse a Calpia porque no lo sabia?

12 ¿Cual es la diferencia mas importante entre la forma como Calpia entrega el credito y la forma como estaba acostumbrado a hacerlo anteriormente?

D Historia de Trabajo con Calpia

13 Si su primer puesto en Calpia no fue como analista, que cargos ocupo primero? ¿Cuando?

14 ¿En que fecha ingreso a Calpia como analista?

15 ¿Como se entero de que habia un puesto en Calpia?

16 ¿Tenia empleo al momento de solicitarle trabajo a Calpia?

17 ¿Cuantas veces le solicito trabajo a Calpia?

18 ¿Que requisitos le pidieron en Calpia ?

Hablemos del proceso de contratacion

ETAPA	Tiempo	Lugar	Duracion de	Numero de
19 Enviar curriculum	0			
20 Llamar a entrevista				
21 Examen teorico				
22 Resultados del examen teorico				
23 Examen practico				
24 Resultados de examen practico				
25 Juego de roles (Comite y caso de cobranzas)				
26 Resultados y oferta de trabajo				
27 Entrada a Calpia				
28 Periodo sin cartera				

29 ¿Cuando comenzo a manejar su propia cartera?
¿Heredo cartera? ¿Si heredo cartera, que tipo de cartera heredo (vigente, morosa)?
¿Cuantos clientes tenia?

30 ¿Que destrezas importantes adquirio en cada etapa del entrenamiento? ¿En que consistio cada etapa?

31 ¿Habia una parte del entrenamiento especificamente diseñada para las destrezas que se usa como analista rural? ¿Cuales son esas destrezas?

32 ¿En cuales agencias ha trabajado desde que lo contrataron como analista? ¿Cuanto tiempo en cada lugar?

33 Si tenia otro puesto antes de ser analista, ¿en que se diferencio su entrenamiento para ser analista porque ya tenia experiencia con Calpia?

34 ¿Fue antes analista urbano? Si paso de analista urbano a analista rural, ¿que cosas nuevas tuvo que aprender?

35 ¿Piensa ser siempre analista de credito con Calpia?
¿Cuales son sus metas en su carrera?
¿Que puesto espera tener dentro de un año?
¿Dentro de dos años?
¿Cinco años?
¿Diez años?

36 ¿Tuvo que firmar un contrato que le comprometio a no salir de Calpia por un tiempo despues del entrenamiento? ¿En que consistio el contrato?

37 De los que fueron contratados por Calpia al mismo tiempo que usted, ¿cuantos trabajan con Calpia todavia?

38 De las personas que se retiraron en plena etapa de contratacion (despues de presentar el examen teorico),
¿Cuantos dejaron a Calpia porque el trabajo era muy dificil y con horario largo?
¿El candidato fue retirado por Calpia?

39 ¿Por que cree que Calpia lo retuvo a usted?

40 ¿Por que persistio usted en el entrenamiento de Calpia?

41 ¿Interfiere entrenar a otros con sus funciones normales?
¿En que manera interfiere?
¿Reconoce Calpia de alguna manera sus esfuerzos de capacitacion a otros?
¿Cuales son los consejos mas importantes que le da a los que se estan entrenando con usted?

42 Despues de ser contratado por Calpia, ¿que cursos realizo? ¿Cuando?
¿Cuales fueron patrocinados por Calpia ?
¿Cuales llevo por cuenta propia?

E Actitudes

43 ¿Por que atiende Calpia a personas de escasos recursos (o microempresarios)?

44 Si Calpia atiende a personas de escasos recursos, ¿por que les cobra tasas de interes altas?

45 Si Calpia atiende a personas de escasos recursos, ¿por que Calpia exige que todos sus clientes paguen sin importar sus circunstancias y necesidades?

46 ¿Que le motiva a usted a trabajar con Calpia?

47 ¿En que se diferencia Calpia de un banco?
¿En que se diferencia Calpia de una ONG que da credito?

48 ¿Cuales son las ventajas y desventajas de trabajar en una organizacion que atiende a clientes de escasos recursos?

49 ¿Cuales son las ventajas y desventajas de trabajar en una organizacion que atiende a clientes rurales (urbanos)? Si pudiera elegir entre una cartera rural o una urbana, cual eligiria?

F Produccion

CARTERA (al 31 de Julio de 1998)

Clasificacion de cliente	¿Cuantos clientes (#)?	¿Saldo total (¢)?
50 Cartera total cartera en mora		
En el ultimo mes 51 Nuevos (%)		
52 Represtamos (%)		
53 Preferenciales (%)		
En el ultimo mes 54 Rural-Agricola (%)		
55 Rural-Ganaderia (%)		
56 Rural-No agropecuaria(%)		
57 Urbano (comercial) (%)		
58 Viven en una cabecera de municipio (%)		
59 Viven en canton (%)		
59 Hombre (%)		
60 Mujer (%)		

EVOLUCION DE LA CARTERA

	¿Cuantos clientes?	¿Saldo vigente?
61 ¿Cuando empezo a manejar cartera?		
62 ¿Seis meses despues?		
63 ¿Un año despues?		
64 ¿Un año y medio despues?		
65 ¿Dos años despues?		
66 ¿Dos años y medio despues?		
67 ¿Tres años despues?		
68 ¿Tres años y medio despues?		
69 ¿Cuatro años despues?		

70 ¿Por que razones han cambiado el numero de clientes y el saldo de la cartera a traves del tiempo?

71 ¿Cuantos de sus clientes en Calpia han tenido experiencia con otra financiera o banco? ¿Con ONGs?

72 ¿A que distancia de la agencia vive su cliente tipico?
¿El cliente mas distante?
¿El cliente menos distante?

73 ¿En que se diferencian sus clientes de un hogar rural tipico?
¿En que detalles son diferentes?

RETENCION DE CLIENTES

Durante el periodo	¿Cuantos clientes perdio en promedio pro mes?
74 ¿Los primeros seis meses de manejar cartera?	
75 ¿El segundo semestre?	
76 ¿El tercer semestre?	
77 ¿El cuarto semestre?	
78 ¿El quinto semestre?	
79 ¿El sexto semestre?	
80 ¿El septimo semestre?	
81 ¿El octavo semestre?	

82 ¿Por cuales razones dejaron de ser clientes?
¿Por Mora?
¿Por otras razones? ¿Cuales?

83 ¿Cuales son las diferencias entre los clientes que han seguido con Calpia y los clientes que han dejado de ser clientes?

84 ¿Como ha cambiado su forma de trabajar a traves del tiempo? ¿Que tecnicas ("trucos") ha aprendido a lo largo de su experiencia con Calpia que no sabia cuando comenzo a manejar cartera?

85 ¿Trajo clientes a Calpia que ya conocia en su trabajo anterior? ¿Cuantos?

G Sueldo y Bono

86 ¿Cual es su sueldo base?

87 ¿Cuanto ha cambiado su sueldo base desde que ingreso?

88 ¿A que se deben los cambios?

89 ¿Cuanto recibio de bono promedio el primer semestre despues de ingresar?
¿En porcentaje?

90 Hablemos del ultimo semestre en Calpia, en un mes normal, ¿que porcentaje de su remuneracion total proviene del sueldo base actualmente?
¿En un mes bueno?
¿En un mes malo?

91 ¿Por que ha cambiado ese porcentaje?

92 ¿Conoce la formula que se usaba para calcular el bono antiguo? ¿El bono nuevo?

93 ¿Cual elemento de la formula del bono tiene mas peso?

94 ¿Cual elemento de la formula del bono tiene menos peso?

95 ¿Cual es su estrategia para obtener el mejor bono posible?

96 ¿Cuales son los obstaculos mas importantes para mejorar el bono que used recibe?

97 ¿Cuantos de sus clientes han pasado a ser preferenciales?

98 ¿Que bono recibe al momento de pasar un cliente a ser preferencial? ¿Despues de pasar a preferencial, que beneficios recibe usted porese cliente?

99 ¿Como se calcula el bono por un cliente preferencial despues del momento de pasar a ser preferencial?

100 ¿Cuantos de estos clientes perdieron esta condicion y han regresado a su cartera? ¿Por que la perdieron?

101 ¿Cuales son los costos para usted de pasar un cliente a la categoria de preferencial? ¿Como los evita?

102 ¿Conoce la diferencia entre en la forma como se calcula el bono para los analistas rurales (urbanos)?

103 ¿Cuantos dias de vacaciones toma por año?
¿Cuantos dias feriados?
¿Cuantos dias ha estado incapacitado por enfermedad?
¿Quien asume sus funciones?
¿Que problemas se presentan?

104 ¿Considera usted queCalpia se le exije mas esfuerzo que en su trabajo anterior? ¿Es su remuneracion mayor?

105 ¿Donde trabajaria si no tuviera su puesto con Calpia?
¿Cuanto ganaria en este puesto alternativo?
¿Considera que en ese trabajo alternativo es probable que se le exija mas esfuerzo o menos esfuerzo que en Calpia?

H Uso del Reglamento de Credito

106 ¿Hay un reglamento de credito?

107 ¿Hay normas en el reglamento que se aplican especificamente al credito rural? ¿A que se debe la existencia de normas especificas?

108 Si pudiera diseñar un nuevo reglamento, que conservaria del reglamento porque es util y lo usa constantemente?

109 ¿Que cambiaria del reglamento porque no es util o porque no lo usa? ¿Que agregaria? ¿Que eliminaria?

I Reclutamiento de Clientes

110 ¿Como identifica a clientes potenciales?
¿Cual es el proceso que sigue para encontrar nuevos clientes?
¿Que caracteristicas busca? ¿Como las indaga? ¿Quien llena la solicitud?

111 ¿Le pide a sus clientes que traigan otras personas conocidas por ellos que serian buenos clientes?

112 ¿Que estrategias usa para acercarse a estos clientes potenciales?

113 ¿Que tipo de informacion le da a un cliente potencial para que se interese en ser cliente?

114 ¿Da charlas promocionales? ¿Cuando?
¿En puntos de encuentro, en la oficina?

115 ¿Como organiza usted la charla? ¿Que hace usted en la charla que no hacen otros analistas?

116 Durante el transcurso de la charla o la entrevista, ¿cuales son los mensajes y las estrategias que usted usa para desestimular o estimular a un cliente potencial a presentar una solicitud?

117 En una charla normal, ¿cuantos clientes potenciales asisten?

En temporada
Fuera de temporada
Punto de encuentro

118 En una charla normal, ¿cuantos clientes rechaza usted despues de la entrevista? De estos, ¿Cuantos rechaza por no tener voluntad de pago? ¿Cuantos rechaza por no tener capacidad de pago?

119 ¿Que hace para saber si el cliente tiene voluntad de pago, ANTES DE LA VISITA?

120 ¿Que hace para saber si tiene capacidad de pago, ANTES DE LA VISITA?

121 ¿Cuantos clientes a los que les recomendaria solicitar un prestamo no continuan con el proceso despues de la entrevista? ¿A quienes visita y a quienes no?

H Visita al Cliente

122 Cuando visita a un cliente potencial en su hogar, en su parcela o en su empresa, despues de haber recibido la solicitud, ¿que informacion busca y como logra obtenerla? ¿Que datos busca?

123 ¿Como averigua sobre la reputacion del cliente potencial en la comunidad donde vive y trabaja? ¿Que pregunta?

124 ¿Que preguntas le hace a vecinos u otros que conozcan el cliente potencial en su comunidad?

125 ¿Que detalles busca en el hogar del cliente potencial para comprobar su capacidad de pago?

126 ¿Que detalles observa en la parcela o en la empresa del cliente potencial para comprobar su capacidad de pago?

127 ¿Que preguntas hace para comprobar la honestidad (voluntad de pago) del cliente potencial?

128 ¿Que parte de la informacion que recolecta le parece util por su experiencia personal, aunque no es requerida por el reglamento y los formularios?

129 ¿Como llego a aprender que es util recoger esta informacion?

130 ¿Que documentos le pide al cliente potencial para comprobar su honestidad y su capacidad de pago?

131 ¿Pide recibos de la cuenta de luz, del agua, etc ?
¿Pide recibos de la cancelacion de otros prestamos anteriores de otras fuentes?
¿Pide comprobantes de que reciben remesas?

132 ¿Que circunstancias le llevarian a rechazar la solicitud ahi mismo ?
¿En que se diferencia la visita para recolectar informacion en el caso de un prestamo urbano y de un prestamo rural?

K Garantias

134 Conversa con el conyuge?
¿En que consiste la conversacion con el conyuge? ¿Otorga el prestamo aun si el conyuge no esta de acuerdo?

135 ¿En que circunstancias exige otro fiador?

136 Si hay un fiador ademas del conyuge, ¿Visita al fiador?
¿Que preguntas le hace?

137 ¿Cuales son las caracteristicas de un buen fiador? ¿Como las evalua?

138 ¿Cuales son los bienes generalmente aceptados como garantia?
¿Que caracteristicas deben tener?
¿Como evalua dicha garantia ?

139 Ademas del precio esperado de remate, ¿considera usted los costos de hacer el remate a la hora de evaluar la garantia? ¿Cuales costos?

140 En los casos en que hubo remate, ¿cual fue la diferencia entre el precio del remate y la evaluacion que habia hecho en la visita?

141 ¿Que hace cuando las garantias no bastan para cubrir el monto del prestamo que el cliente potencial quiere solicitar?

142 ¿Cuantos de sus clientes tienen estados financieros escritos?

143 Cuando si hay estados financieros escritos, ¿como los usa?
¿Lleva copia a la oficina?

144 Cuando no hay estados financieros escritos, ¿como recoge la informacion necesaria para hacer los estados financieros requeridos por el formulario?

145 ¿Que hace para verificar la informacion que usa para hacer los estados financieros?

146 ¿Cuan importantes son los estados financieros para tomar decisiones en cuanto al monto a prestar y otros terminos del contrato de prestamo?

147 ¿Como sabe si el deudor potencial tiene deudas pendientes con otra fuente de credito? ¿Que tipo de informacion recibe y de donde?

¿Que hace si el deudor tienen deudas vigentes? ¿En mora?

L Analisis en la Oficina

149 ¿Cuales son los criterios que usa para decidir si va a presentar una recomendacion al comite de credito?

150 ¿Con que frecuencia rechaza una solicitud en la etapa el analisis de oficina?

151 ¿Cual es su estrategia para que sus prestamos sean aprobados en comite?
¿En cuanto a montos?
¿En cuanto a plazos?
¿En cuanto a sistema de pago?

152 ¿Cuan frecuente es que la sistematizacion de la informacion que usted realiza en la oficina coincida con el juicio que ya se habia formado en la visita?

153 ¿En que se diferencia un formulario rural de uno urbano?

154 ¿Trabaja los numeros a mano o usa una hoja de calculo?

Ademas de la informacion que recogio en la visita, ¿que informacion recibe en la oficina de parte de la Financiera que le ayuda a evaluar la solicitud?

K Comite de Credito

156 ¿Quienes integran el comite de credito?

157 ¿Cuales son las estrategias que usa para convencer al comite de su recomendacion?

158 ¿Cuales son los cambios mas comunes que el comite le hace a su recomendacion?
¿No prestar nada?
¿Montos?
¿Plazos?
¿Sistema de pago?
¿Garantias?

159 ¿Que porcentaje de las solicitudes son aceptadas tal y como las presenta?

160 ¿Que porcentaje de las solicitudes son aceptadas pero con modificaciones?

161 ¿Que porcentaje de las solicitudes son rechazadas?

162 ¿Como ha cambiado este porcentaje a traves del tiempo? ¿Por que ha cambiado el porcentaje?

163 ¿Como le avisa al cliente sobre el resultado de la solicitud y la fecha del desembolso?
¿En promedio, cuanto tiempo transcurre entre la solicitud, la aprobacion y el desmbolso?

164 Cuando los terminos del contrato han sido modificados, ¿cual es el porcentaje de los clientes que aceptan los cambios?

¿Que otras responsabilidades tiene antes del desembolso?

N Seguimiento

166 ¿Que porcentaje de los clientes visita despues de haber desembolsado un prestamo si no hay problemas de atraso ni de mora?

167 De los clientes que visita aunque no haya problemas de pago, ¿cuantas veces en promedio los visita?

168 ¿En que porcentaje de los casos hace usted una visita preventiva de cobro antes del dia de vencimiento de un prestamo?

169 ¿De que otras maneras trata de informarse en cuanto a la situacion del deudor durante esta etapa?

170 ¿Que situaciones precipitan una visita preventiva de cobro?

171 ¿Que hace si ocurre un atraso en el calendario de pagos? ¿Como se entera?

172 ¿Como responde el cliente ante esta situacion? ¿Pasados cuantos dias usted toma alguna accion?

173 (Seguir preguntando que hasta que el cliente pague) ¿Que hace si un prestamo ya esta vencido pero el cliente no ha pagado todavia?

174 ¿Cuanto se espera para retirar la garantia?

175 ¿Que porcentaje de los clientes con problemas de pago cancelan el prestamo y no vuelven a solicitar mas?

176 ¿Que porcentaje de los clientes con problemas de pago cancelan el prestamo y solicitan otro prestamo pero son rechazados?

177 ¿Que porcentaje de los clientes con problemas da pago cancelan el prestamo, solicitan otro y son aceptados? En estos casos, ¿cambia la nota automatica?

178 ¿Cuantas veces ha tenido que amenazar con retirar la garantia?

179 ¿Cuantas veces ha tenido que retirar la garantia?

180 ¿Como ha retirado la garantia?

181 ¿Como reacciona el cliente ante el retiro de la garantia?
¿Que puede hacer si la reaccion es violenta?
¿Que hace cuando la reaccion es violenta?

182 ¿Cuantas veces ha recibo pago, sin tener que rematar la garantia ya desplazada?

183 ¿Cuantas ha tenido que rematar la garantia?

184 En los casos de remate, ¿el valor recuperado es generalmente mayor, menor o igual al valor establecido originalmente? ¿Si es menor, que sucede?

185 ¿Que sucede con los clientes que no pagan y a quienes no se les puede rematar la garantia? ¿Por cuanto tiempo se queda en su cartera el cliente en mora?

186 ¿Cuan comun es que un deudor tome un prestamo de una fuente informal, por ejemplo un prestamista o un amigo, para pagar un prestamo de Calpia?

187 ¿Es comun que un deudor tenga que pagar un prestamo con una fuente con ingresos distinta al proyecto por el cual tomo el prestamo?
¿Que porcentaje de los casos? ¿Le preocupa?

O Prestamos Recurrentes

188 ¿Cuales son los criterios para decidir si visita a un cliente cuando este pide un prestamo recurrente?

189 ¿Sirve la visita preventiva de cobro del prestamo anterior para verificar las condiciones del siguiente represtamo?

190 ¿Con que frecuencia rechaza una solicitud de un prestamo recurrente aunque el cliente habia pagado a tiempo porque el cliente tuvo que hacer un esfuerzo extraordinario para pagar el prestamo anterior?

191 ¿Como afectan los atrasos en el pago del prestamo anterior la aprobacion del nuevo prestamo?

192 ¿En que porcentaje de los casos de represtasmo es su nota mayor que la nota automatica?

193 ¿En que porcentaje de los casos de represtamo es su nota menor que la nota automatica?

194 ¿En que se diferencian los clientes que no toman prestado despues del primer prestamo y los clientes que si regresan?

195 ¿En que porcentaje el cliente solicita credito para un proyecto diferente del financiado con el prestamo anterior?

196 ¿En que porcentaje el cliente ocupa el dinero para otra cosa que no es el proposito que puso en la solicitud? ¿Uno se preocupa por esto mas o menos que en el primer prestamo?

197 ¿Como sabe si el cliente solicita el credito para un proposito y lo ocupa para otro?

198 ¿Afecta la desviacion de fondos el pago del prestamo? ¿Por que?

199 ¿Que se debe hacer para dar un segundo prestamo recurrente?
Un tercero?
Un cuarto?

200 ¿Como evalua la garantia para un prestamo recurrente, hace mas visitas?

201 ¿Como averigua sobre el proyecto cuando no hace mas visitas?

203 ¿Como llega a hacer los estados financieros para un prestamo recurrente?

204 ¿En que se diferencia el analisis de oficina para un represtamo?

205 ¿Que informacion recibe en la oficina que le ayuda a evaluar la solicitud?
¿De otros analistas?
¿Del sistema informatico?

206 ¿Como cambia la discusion en comite para un prestamo recurrente?

207 ¿Como cambia el seguimiento para un prestamo recurrente?

208 ¿Como cambian las condiciones a medida que aumenta el numero de prestamos recurentes?

209 ¿Le interesa a usted que los clientes aumenten el monto y el plazo con los represtamos?

210 ¿Cuales estrategias usa para que el cliente aumente el monto y el plazo?

211 ¿Cuales estrategias usa para que el cliente este satisfecho con el contrato que Calpia esta dispuesta a ofrecerle?

P Estructura de Costos

212 En promedio, ¿cuantos dias trabaja por semana?

213 Durante las temporadas de mas actividad, ¿cuantos dias trabaja por semana?

214 Durante las temporadas de menos actividad, ¿cuantos dias trabaja por semana?

215 En promedio, ¿cuantas horas trabaja por dia?

216 Durante las temporadas de mas actividad, ¿cuantas horas trabaja por dia?

Durante las temporadas de menos actividad, ¿cuantas horas trabaja por dia? ¿Lleva trabajo a la casa?

Todas las preguntas a continuacion pertenecen a una semana normal

217 ¿Cuantas solicitudes ve en una reunion de comite?

218 ¿Cuantos clientes nuevos procesa en una semana normal?

219 ¿Cuantos clientes antiguos procesa en una semana normal?

220 En una semana normal, ¿cuantos viajes hace al campo?
¿Cuantos dias se queda en la oficina?

221 En un viaje promedio, ¿cuanto tiempo ocupa en todo el viaje?
¿Cuanto tiempo ocupa simplemente trasladandose?

222 ¿Como se traslada?

223 ¿Que tipos de viaticos le da Calpia?
¿Comida?
¿Transporte?
¿Los viaticos dependen de la distancia que hay que viajar para visitar a los clientes?

224 En promedio, ¿cuantos clientes ve, para cualquier razon, en un viaje al campo?

225 En una semana normal, ¿cuantos dias sale al campo?
¿Cuantos dias se queda en la oficina?

ACTIVIDADES (VISITAS) FUERA DE LA OFICINA

Tipo de actividades (visitas) fuera de la oficina	**¿Cuantas veces por semana?**	**¿Cuantos minutos por visita?**
226 Visitas promocionales (punto de encuentro)		
227 Solicitud para NUEVOS clientes (incluyendo evaluacion) Si se visita en diferente ocasion para solicitud y evaluacion especificar		
228 Visitas de evaluacion para prestamos recurrentes		
229 Avisos desembolsos o cambios en solicitud		
230 Cobro preventivo (si existe)		
231 Cobro de atrasos o mora		
232 Otras visitas (incluir actividades mensuales prorateando)		

ACTIVIDADES EN LA OFICINA

Tipo de actividad en la oficina	¿Cuantas veces por semana?	¿Cuantos minutos por actividad?
233 Dar charlas en oficina		
234 Entrevistar clientes potenciales en oficina		
235 Revisar reportes de atrasos y mora		
236 Reunirse en comite de credito		
237 Preparar propuestas de credito		
238 Reuniones en oficina y coordinar viajes		
239 Organizacion de expedientes		
240 Visitar la oficina central		
241 Otras actividades		